

AR42

FPE

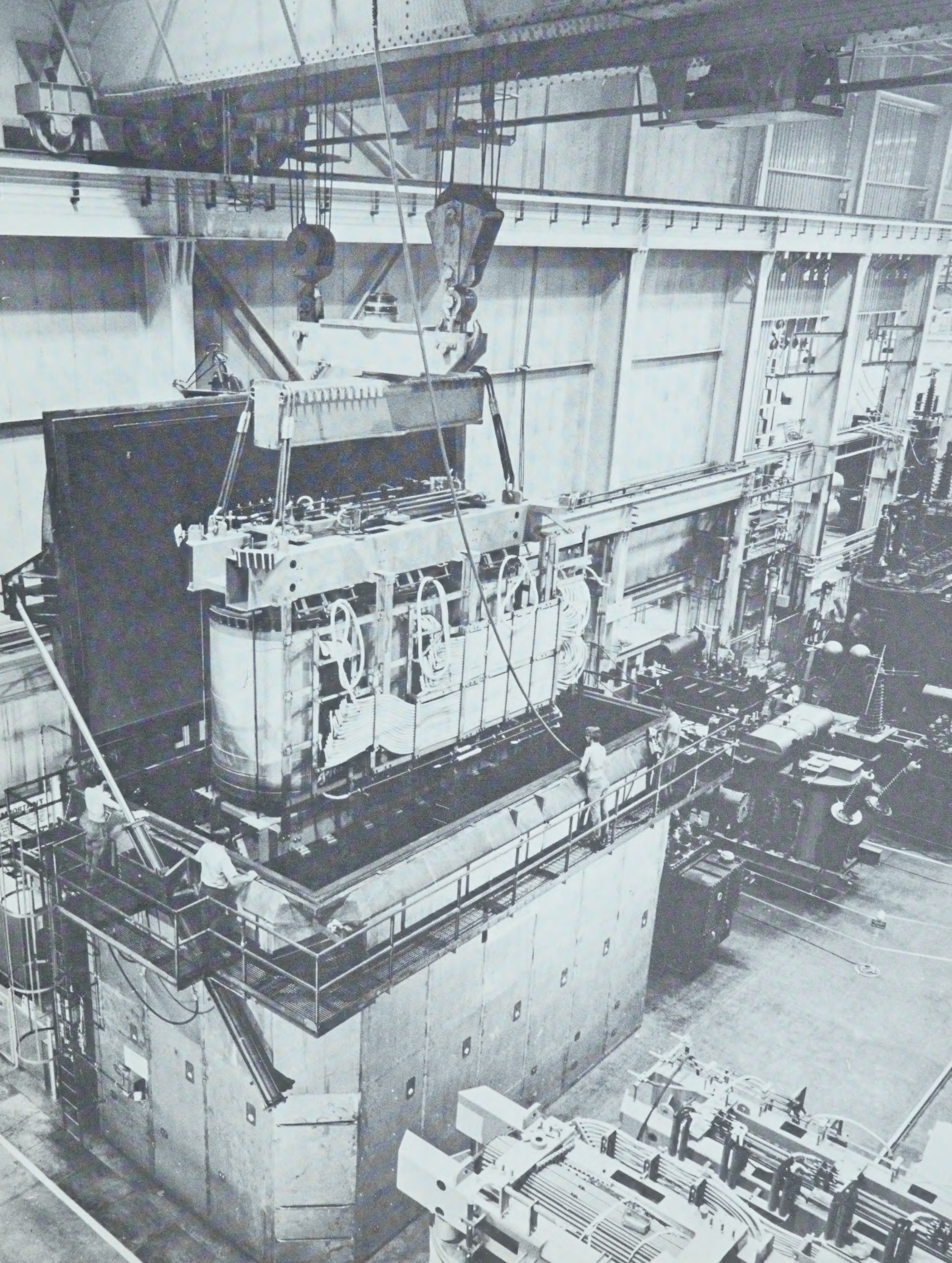
1971
ANNUAL
REPORT

FPE-PIONEER ELECTRIC LIMITED

PE

The annual meeting of the Company is to be held in the Wilket
Creek Room, Inn On The Park, Toronto, Tuesday, November
23, 1971, at 11 a.m.

Transformer core and coil assembly being lowered into
the vacuum drying tank at the Winnipeg Plant. Figures of men on catwalk
of the tank indicate its size.



Directors

Benjamin W. Ball
John B. Clements, Q.C.
Edward W. Darby
Martin Horwitz
Edwin Jacobson
T. Peter N. Jaffray
Richard Noonan
Jacob S. Vanderploeg
Jack Wilder

Officers

Richard Noonan
Chairman of the Board
Benjamin W. Ball
President and Chief Executive Officer
A. Gordon Daley
Vice-President
B. J. Ferreira
Vice-President
Harry L. Livingstone
Vice-President
Thomas Shkordoff
Vice-President
Kenneth J. Thompson
Vice-President
Edward W. Darby
Secretary and Treasurer
Alan D. Amos
Comptroller and Assistant Secretary

Financial highlights

	1971	1970	1969	1968	1967	1966
Net sales.....	50,815,670	39,272,817	36,904,989	33,579,069	30,564,488	25,925,741
Income taxes paid or payable.....	2,469,000	1,870,000	1,880,000	1,745,000	2,186,000	1,740,180
Net earnings after taxes.....	2,162,546	1,627,661	1,572,971	1,777,187	2,069,555	1,742,505
Percent of sales.....	4.3	4.1	4.3	5.3	6.8	6.7
*Per share (class A and class B).....	2.04	1.51	1.47	1.80	2.30	1.96
Number of class A and class B shares outstanding.....	1,002,501	990,145	979,115	967,907	855,781	807,429
Dividends declared:						
1st preference shares.....	132,443	137,742	143,738	155,072	190,922	209,775
Class A shares.....	312,311	275,732	228,444	192,655	140,683	122,798
Class B shares.....	260,136	291,272	323,186	323,964	323,960	323,649
Property, plant and equipment, net..	7,404,162	7,282,629	6,818,067	6,004,780	4,734,627	3,701,747
Working capital as at year end.....	13,305,024	12,013,808	11,542,611	11,547,564	10,281,118	5,807,075

*Calculated after giving effect to the payment of First Preference Share dividends and upon the weighted average number of shares outstanding during the year.

Report to shareholders

It is gratifying to be able to report, for the fiscal year ending June 30, 1971, that, in dollars, the Company's sales and profits both reached record amounts. Because this was accomplished without further acquisitions or significant plant expansion, it indicates that the total facilities – plants, people and investment – have been successfully employed. Examination of the volume of the individual components of the total Company effort indicates that the increases occurred generally across the entire product line and not in any one or two product areas.

In our report last year, we referred to the hearings being held in regard to alleged dumping of transformers and heavy electrical apparatus. A final determination was made on November 9, 1970 and to us the Minister's ruling is fair and equitable. It established that dumping had occurred and that our industry had been injured. It places worldwide manufacturers on an equal footing to compete for the Canadian market. There was a widespread feeling that your Company, as part of the Canadian Electrical Industry, was opposed to the importing of offshore equipment. While we would be pleased to have this business placed in Canada, and preferably a good portion of it with your Company, what we in fact objected to was foreign manufacturers filling the Canadian market with subsidized products, priced below production cost, substantially below their domestic prices and at the same time precluding Canadian companies from even quoting in most of those countries. It seems that our complaint should now be removed.

The higher value of the Canadian dollar substantially reduced our exports of the heavier apparatus but I am pleased to report that the export sales of the construction trades products increased moderately to a record level.

We mentioned last year that consideration was being given to the acquisition of control of Federal Electric (Holdings) Limited of Wolverhampton. Agreement in principle has now been reached for the purchase of 95% of the equity in this concern, which will be operated as a subsidiary of our Company and in the event of the U.K. joining the European Common Market, should provide access to a great and growing market for our products.

Reference was made as well to the program of bringing the divisions of the Company closer together. This plan is advancing successfully. Our marketing services have been closely co-ordinated resulting in greater efficiency, better communication and fewer branch office locations. This has improved our administration processes as well as our performance in the field.

The Company was justifiably proud when the headlines read "Manitoba's High Voltage D.C. Power Conference wins World Wide Recognition." This Conference, co-sponsored by FPE-Pioneer Electric Limited, held in Winnipeg June 6-10, 1971, attracted more than 300 delegates from 18 countries around the world. Numerous outstanding papers were presented at the Conference, including one by Mr. I. P. Beck, Senior Transformer Design Engineer, Power Equipment Division. The Conference included a very successful visit to the Company's Winnipeg Plant where large D.C. Converter Transformers were undergoing tests prior to shipment to Nelson River Converter Stations at Dorsey and Radisson. Such affairs assist greatly in influencing potential purchasers of these large and complex units.

The objective of the Conference was to sell Manitoba's and our technological know-how and we consider, along with most observers, that this objective was achieved. The Pioneer Division was proud to have played a leading role in the piece.

During the past 12 months, the Power Equipment Division of the Company has been involved in some very significant projects. The first of these involved the design and manufacture of a 66.7 MVA 345 KV transformer for National Accelerator Laboratory's 6800-acre site, 40 miles west of Chicago. We are particularly flattered, since this is the main supply transformer for a 250 million dollar complex including a 200 billion-electron-volt Proton Accelerator, the world's largest atom smasher.

A 12 MVA 25 KV Mobile Substation was manufactured and shipped to an Albertan utility. We believe this unit to be the most sophisticated Mobile Substation ever designed and built in Canada. The Station consists of a 12 MVA transformer with a 25 KV oil circuit breaker, 25 KV air break switch, high speed automatic ground switch, H.V. and L.V. lightning

arrestors, auxiliary A.C. power supply, auxiliary D.C. power supply, telescopic mast, cable reels and all accessories. All equipment is mounted on a semi-trailer suitable for haulage on most highways and secondary roads. A significant engineering challenge faced our designers because of the demanding dimensional and weight restrictions. These limitations were overcome through utilization of special materials and resulted in a finished weight, including trailer, of less than 74,000 lbs.

Following the successful introduction of vacuum switching for on-load tap changers mentioned in last year's report, we have successfully developed, tested, and now have in production dry type on-load tap changers incorporating vacuum devices. A number of these units have been built as an integral part of transformers and shipped to customers in Canada, U.S.A. and Thailand. We are of the opinion this is a timely development in the light of current ecological studies, since this apparatus is the logical successor to fire resistant liquid filled transformers.

Because electrical apparatus constantly grows in size and technical requirements, research, development and ever increasing quality control are necessary adjuncts to the production of this sophisticated material. We are continuously responding to our customers' requirements for this improved performance in these areas. Short circuit currents due to power system faults produce severe mechanical stresses in transformer windings. To ensure continuity of supply, transformer windings and supporting structures must be capable of withstanding these forces. Research is being conducted to derive methods of calculating the magnitude of the mechanical forces and the ability of the windings to withstand the resultant stress. The complex force calculation is programmed on the Company's computer facility which provides the designer with immediate and accurate data. The benefit of this program is dramatically demonstrated in the recent successful short circuit testing of an 18,000 KVA transformer, which was subjected without failure several times to the maximum possible short circuit current.

We are now completing the largest transformer which we have ever built. It is rated 240,000 Kilowatts, 225 KV and shortly will be shipped to Hydro

Quebec for installation. Its total weight, filled with oil, will be approximately 250 tons.

During the year, our FPE Division delivered most of the distribution products for the new Commerce Court project in Toronto – your Company takes pride in the successful completion of this tremendous project. During this year too we began production of a newly designed Bus Duct known as "Powerclad" which has rapidly become a leader in its field. There were over three miles of this product involved in the Commerce Court construction alone.

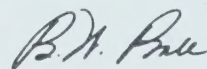
With continually increasing costs for both labour and material, coupled with selling prices for many of our products approximately the same in dollars as twenty years ago – constant activity in cost reduction is imperative. In this connection, a new committee was established this year concerned with standardization of all products, methods and materials throughout the Company – progress to date indicates that this activity will be productive.

While our overseas subsidiary companies do not as yet represent a substantial proportion of our total activity, progress has been made in all areas overseas.

We regret to advise that on September 21, 1971 the factory building of the Jamaican operation was destroyed by fire. All contents including machinery and inventory appear to be a total loss. At the time of writing it is not possible to assess the effect of this occurrence on earnings. The assets destroyed are adequately covered by insurance.

This has been a demanding period from many points of view and the Company has been well served by a loyal, energetic and competent group of employees.

Submitted on behalf of the Board of Directors,
October, 1971.



B. W. Ball,
President and Chief Executive Officer.

Consolidated statement of earnings

	Year ended June 30	
	1971	1970
Net sales	\$50,815,670	\$39,272,817
Earnings before deducting the undernoted items	\$ 5,997,762	\$ 4,801,029
Deduct:		
Depreciation	709,763	615,245
Amortization of patents	6,316	6,579
Amortization of debenture discount and expense	13,566	13,771
Interest on long-term debt	304,115	312,697
Remuneration paid to directors and senior officers	332,456	355,076
	1,366,216	1,303,368
Earnings before income taxes	4,631,546	3,497,661
Income taxes (Note 4)	2,469,000	1,870,000
Net earnings for the year	\$ 2,162,546	\$ 1,627,661
Earnings per Class A and Class B share	\$2.04	\$1.51
Fully diluted earnings per share (Note 7)	1.80	1.36

Consolidated statement of retained earnings

	Year ended June 30	
	1971	1970
Balance at beginning of year	\$ 9,672,978	\$ 8,750,063
Add: Net earnings for the year	2,162,546	1,627,661
	11,835,524	10,377,724
Deduct:		
Dividends declared—		
On 5½% first preference shares—\$2.75 per share	132,443	137,742
On Class A shares—56¢ per share	312,311	275,732
On Class B shares—56¢ per share	260,136	291,272
	704,890	704,746
Balance at end of year	\$11,130,634	\$ 9,672,978

Auditors' Report

To the Shareholders of FPE-Pioneer Electric Limited:

We have examined the consolidated balance sheet of FPE-Pioneer Electric Limited and subsidiary companies as at June 30, 1971 and the consolidated statements of earnings, retained earnings and source and application of working capital for the year then ended. Our examination was made in conformity with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the companies as at June 30, 1971 and the results of their operations and the source and application of their working capital for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Ontario
September 7, 1971

(Signed) Price Waterhouse & Co.
Chartered Accountants.

Consolidated balance sheet

	June 30	
	1971	1970
ASSETS		
Current assets:		
Cash	\$ 102,749	\$ 196,029
Accounts receivable	11,481,778	7,988,608
Receivable from affiliated companies	431,250	982,507
Inventories, at lower of cost and realizable value (Note 2)	15,517,101	15,131,219
Tender deposits	144,539	163,946
Prepaid expenses and other deposits	379,824	392,973
	<u>28,057,241</u>	<u>24,855,282</u>
Fixed assets, at cost:		
Land	429,801	429,801
Buildings	5,100,054	4,949,526
Machinery and equipment	6,644,315	5,970,625
	<u>12,174,170</u>	<u>11,349,952</u>
Less: Accumulated depreciation	<u>4,770,008</u>	<u>4,067,323</u>
	7,404,162	7,282,629
Excess of cost of shares of subsidiaries over net book value	1,406,826	1,406,826
Patents	60,733	65,491
Deferred charges (Note 3)	153,735	180,620
	<u>\$37,082,697</u>	<u>\$33,790,848</u>
LIABILITIES	1971	1970
Current liabilities:		
Bank indebtedness—		
Operating loans and overdrafts	\$ 3,815,402	\$ 3,737,025
Tender deposit loans	74,000	134,653
Notes payable—guaranteed by bank	2,000,000	2,000,000
Accounts payable and accrued liabilities	6,581,488	5,708,622
Payable to affiliated companies	781,862	643,438
Income and other taxes payable	1,378,806	503,667
Dividends payable	120,659	114,069
	<u>14,752,217</u>	<u>12,841,474</u>
Deferred income taxes (Note 4)	445,050	419,200
Long-term debt, less current portion (Note 5)	4,360,026	4,462,426
Minority shareholders' equity in subsidiary company (Note 1)	9,500	9,500
SHAREHOLDERS' EQUITY		
Capital stock (Note 6):		
First preference shares \$50 par value, voting, issuable in series—		
Authorized—166,844 shares of which 46,844 shares are designated as 5½% cumulative convertible first preference shares, Series A		
Outstanding—46,844 first preference shares, Series A (1970—49,933 shares)	2,342,200	2,496,650
Class A shares without nominal or par value, voting—		
Authorized—3,132,624 shares		
Outstanding—590,793 shares (1970—522,837 shares)	3,722,424	3,524,672
Class B shares without nominal or par value, voting—		
Authorized—1,500,000 shares of which 166,800 have been issued and converted to Class A shares		
Outstanding—411,708 shares (1970—467,308 shares)	320,646	363,948
	<u>6,385,270</u>	<u>6,385,270</u>
Retained earnings	11,130,634	9,672,978
	<u>17,515,904</u>	<u>16,058,248</u>
	<u>\$37,082,697</u>	<u>\$33,790,848</u>

Approved on behalf of the Board:

(Signed) B. W. Ball, Director

(Signed) E. W. Darby, Director

Notes to consolidated financial statements June 30, 1971

1. Principles of consolidation :

(a) The accompanying financial statements include all of the Company's subsidiaries. One domestic and one foreign subsidiary have fiscal years ending March 31 and their accounts are included as of that date.

(b) The accounts of the Australian and Caribbean subsidiaries have been translated to Canadian dollars as follows :

Current assets and liabilities – at the exchange rate prevailing on June 30, 1971.

Fixed assets, shareholders' equity and depreciation expense – at historical rates prevailing at dates of acquisition.

Revenue and expenses other than depreciation – at the average rate during the fiscal year.

(c) Effective October 31, 1969 the Company purchased 550 common shares and acquired an option on the remaining 120 outstanding common shares of Eastech Limited for cash and 8,170 Class A shares of FPE-Pioneer Electric Limited. The option entitled the Company to acquire the remaining common shares for a nominal amount and was exercised during the current year. Preferred shares of Eastech Limited with a par value of \$9,500 are held by minority shareholders.

(d) The Company holds 946,986 common shares of FPE Australia Pty. Limited. It has an option to acquire the remaining 21,125 outstanding shares from Federal Pacific Electric Company for a nominal amount. For accounting purposes this subsidiary is treated as though it were wholly-owned.

2. Inventories :

Inventories comprise :

	1971	1970
Raw materials	\$ 4,442,340	\$ 3,818,191
Work in process	9,437,013	9,835,029
Finished goods	1,637,748	1,477,999
	<u>\$15,517,101</u>	<u>\$15,131,219</u>

3. Deferred charges :

Deferred charges include unamortized discount and other expenses of issue of the Series A debentures – \$153,735 (1970 – \$167,301).

4. Income taxes :

The provision for income taxes includes :

	1971	1970
Current taxes	\$2,443,150	\$1,831,300
Deferred taxes	25,850	38,700
	<u>\$2,469,000</u>	<u>\$1,870,000</u>

The provision for deferred income taxes is in respect of capital cost allowances claimed for income tax purposes in excess of the allowable depreciation charged in the accounts, and other timing differences in the calculation of taxes payable.

5. Long-term debt :

	1971	1970
6¾% secured sinking fund debentures, Series A maturing April 15, 1987, with annual sinking fund payments (\$104,000 in 1972 and thereafter gradually increasing to \$267,000 in 1986). The balance of \$1,505,000 is payable at maturity.	\$4,112,000	\$4,209,000
6¾% mortgage loan of subsidiary, repayable in monthly instalments, maturing in 1989	322,364	331,006
7½% mortgage loan of subsidiary, repayable in monthly instalments, maturing in 1987	38,897	40,462
	<u>4,473,261</u>	<u>4,580,468</u>
Amount due within one year	113,235	118,042
Amount due after one year	<u>\$4,360,026</u>	<u>\$4,462,426</u>

The 6¾% secured sinking fund debentures, Series A, are secured by a Deed of Trust and Mortgage which, inter alia, provides for dividend restrictions under certain conditions. The financial position of the companies is such that these restrictions are not applicable at this time.

6. Capital stock :

5½% cumulative convertible first preference shares, Series A :

Each first preference share, Series A is convertible into four Class A shares up to and including January 15, 1979. The conversion rate is subject to adjustment to protect the conversion privilege against dilution in certain events. The first preference shares, Series A are redeemable at a premium of 3½% until January 15, 1973 and 2% thereafter.

Class A shares :

Employees of the Company have options which expire March 10, 1974 to purchase 17,150 Class A shares at \$22 a share.

Class A shares are reserved as follows :

(a) for the possible conversion of the outstanding Class B shares	411,708 shares
(b) to satisfy outstanding options	17,150 shares
	<u>428,858 shares</u>

Class B shares :

55,600 Class B shares may be converted during each dividend year into Class A shares on a share for share basis provided certain conditions have been met with respect to earnings and payment of Class A share dividends. This conversion privilege was exercised in the current year. After the Class A shares have received dividends aggregating 56 cents per share and the Class B shares have received dividends aggregating 5.6 cents per share in any dividend year, the Class B shares are entitled to receive additional dividends aggregating 50.4 cents per share before any further

dividends are paid on the Class A shares. Additional dividends paid in excess of the 56 cents per share on both classes of shares are to be shared equally on a share for share basis.

Changes in capital stock during the year :

3,089 5½% cumulative convertible first preference shares, Series A were converted into 12,356 Class A shares at the stated value of \$154,450. This conversion reduces both the authorized and outstanding first preference capital stock by 3,089 shares and increases both the authorized and outstanding Class A capital stock by 12,356 shares.

55,600 Class B shares held by Federal Pacific Electric Company were converted into Class A shares.

7. Earnings per share :

The calculations of earnings per share shown in the consolidated statement of earnings are based on the weighted average number of shares outstanding during each year. Dividends paid on the preference shares were deducted from consolidated earnings for purposes of the calculations.

The calculations of fully diluted earnings per share assume the conversion of all preference shares (Note 6) and the issue of shares reserved for the exercise of options at the beginning of each year and that the funds received on the exercise of the options (1971 – \$377,300 ; 1970 – \$391,600) had been invested to produce an annual return of 7% (8% in 1970) less applicable income taxes.

8. Lease and option :

A subsidiary has entered into an agreement to lease premises for a term of twenty years, to April 30, 1990, at an annual rental of \$92,500. By additional annual payments of \$8,300, the subsidiary has until May 1, 1975 the right to purchase the leased premises.

9. Unfunded pension costs :

Based on a report by independent actuaries, unfunded past service pension costs amounted to approximately \$425,000 at July 1, 1970. Annual payments charged to operations are designed to fund these costs by 1989.

Consolidated statement of source and application of working capital

	Year ended June 30	
	1971	1970
Source of working capital :		
Operations –		
Net earnings	\$ 2,162,546	\$1,627,661
Charges not requiring a current outlay –		
Depreciation	709,763	615,245
Amortization of deferred charges –		
Debenture discount and expense and patents	19,882	20,350
Other	11,761	17,219
Deferred income taxes	25,850	38,700
	<u>767,256</u>	<u>691,514</u>
Total from operations	2,929,802	2,319,175
Shares issued	—	142,975
Disposal of fixed assets	21,557	8,565
Minority shareholders' equity in subsidiary company	—	9,500
Long-term debt of subsidiary acquired	—	41,160
	<u>2,951,359</u>	<u>2,521,375</u>
Application of working capital :		
Fixed asset additions	852,853	1,088,372
Dividends	704,890	704,746
Cost of shares of subsidiary over net book value	—	139,018
Reduction in non-current portion of long-term debt	102,400	118,042
	<u>1,660,143</u>	<u>2,050,178</u>
Increase in working capital	1,291,216	471,197
Working capital at beginning of year	12,013,808	11,542,611
Working capital at end of year	<u>\$13,305,024</u>	<u>\$12,013,808</u>

Marketing in action

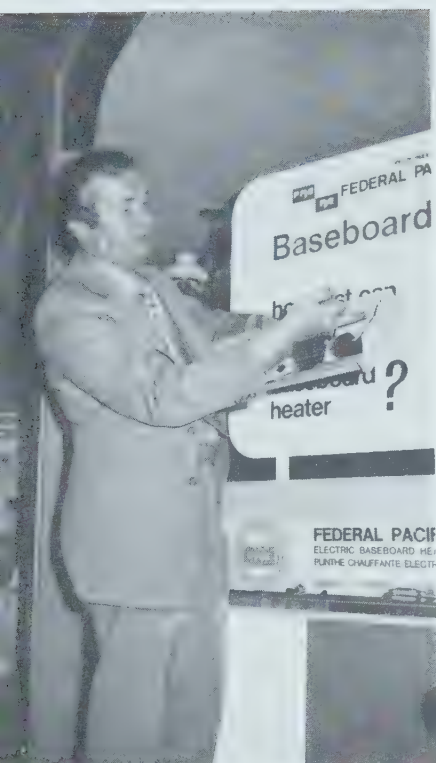
The sale of FPE-Pioneer products, while ultimately dependent on the day to day calls on customers, is fostered also by many other methods. These are exhibitions of equipment at trade shows, seminars to introduce and demonstrate new and old products to prospective customers and consulting engineers, also displays shown across the country to Electrical Associations.

Shown below (or at right) are several photographs taken at trade shows, seminars and displays. The Company participates in numerous shows of this nature throughout the country, frequently sponsored by national or local industry associations.



Group photograph of the Company's Marketing and Sales force taken at a sales conference held in early February of this year in Winnipeg.







Plants and offices

Sales offices

1078 Robie Street,
Halifax, Nova Scotia

P.O. Box 490,
Industrial Drive,
Windsor, Nova Scotia

53 Hillcrest Drive,
P.O. Box 601,
Moncton, New Brunswick

P.O. Box 9248,
Ste. Foy, Quebec

1074 St. Eugene,
Ancienne Lorette, Quebec

3333 Cavendish Blvd.,
Montreal 261, Quebec

2627 Coleman Street,
Ottawa 8, Ontario

440 Elizabeth Street,
Burlington, Ontario

1157 Prince Philip Drive,
London, Ontario

48 Blackfriar's Place,
Kitchener, Ontario

19 Waterman Avenue,
Toronto 16, Ontario

445 Horner Avenue,
Toronto 14, Ontario

255 Orenda Road,
Bramalea, Ontario

832 Maplegrove Drive,
North Bay, Ontario

872 Bradford St.,
Winnipeg, Manitoba

101 Rockman Street,
Winnipeg 19, Manitoba

11th and Richmond Street,
Brandon, Manitoba

21 Lindsay Drive,
Saskatoon, Saskatchewan

7144 Fisher St.,
Calgary, Alberta

11819 – 145th Street,
Edmonton, Alberta

255 Viking Way,
Richmond, British Columbia

Plants

P.O. Box 490,
Industrial Drive,
Windsor, Nova Scotia

561 Maisonneuve Street,
P.O. Box 550,
Granby, Quebec

P.O. Box 272,
Granby, Quebec

19 Waterman Avenue,
Toronto 16, Ontario

445 Horner Avenue,
Toronto 14, Ontario

255 Orenda Road,
Bramalea, Ontario

101 Rockman Street,
Winnipeg 19, Manitoba

11th and Richmond Street,
Brandon, Manitoba

1600 First Avenue,
Regina, Saskatchewan

5727 – 53A Avenue,
Red Deer, Alberta

255 Viking Way,
Richmond, British Columbia

Associated and subsidiary companies

Cornell-Dubilier Electric Corporation,
Newark, New Jersey 07101,
U.S.A.

Eastech Limited,
Windsor, Nova Scotia

Federal Pacific Electric Company,
Newark, New Jersey 07101,
U.S.A.

Federal Electric (Holdings) Limited,
Wolverhampton, England

Federal Pacific Electric Ges. m.b.H.,
St. Martin/Innkreis,
Austria

Federal Pacific Electric Caribbean Limited,
Spanish Town,
Jamaica, W.I.

Federal Pacific Electric de Mexico, S.A. de C.V.,
Mexico City, Mexico

FPE Australia Pty. Ltd.,
Liverpool, Australia

FPE South Africa (Pty.) Ltd.,
Johannesburg, South Africa

Financial Highlights

	Six-months ended December 31st		Year-ended June 30th			
	1971	1970 (unaudited)	1971	1970	1969	1968
Net sales.....	25,063,376	22,670,500	50,815,670	39,272,817	36,904,989	33,579,069
Income taxes paid or payable.....	897,000	1,072,200	2,469,000	1,870,000	1,880,000	1,745,000
Net earnings after taxes and before extraordinary items.....	856,988	1,003,300	2,162,546	1,627,661	1,572,971	1,777,187
Net earnings after extraordinary items.....	673,770	1,003,300	2,162,546	1,627,661	1,572,971	1,777,187
Percent of sales.....	2.7	4.4	4.3	4.1	4.3	5.3
*Earnings per share before extra- ordinary items.....	.79	.94	2.04	1.51	1.47	1.80
*Earnings per share after extra- ordinary items.....	.60	.94	2.04	1.51	1.47	1.80
Number of class A and class B shares outstanding.....	1,010,704	992,106	1,002,501	990,145	979,115	967,907
Dividends declared :						
1st preference shares.....	62,615	67,207	132,443	137,742	143,738	155,072
Class A shares.....	171,786	147,578	312,311	275,732	228,444	192,665
Class B shares.....	11,528	13,085	260,136	291,272	323,186	323,960
Property, plant and equipment, net	7,592,686	7,298,525	7,404,162	7,282,629	6,818,067	6,004,780
Working capital.....	14,031,679	12,476,318	13,305,024	12,013,808	11,542,611	11,547,564

*Calculated after giving effect to the payment of First Preference Share dividends and upon the weighted average number of shares outstanding during the year.

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Vice-President
Thomas Shkordoff
Vice-President
Kenneth J. Thompson
Vice-President
Edward W. Darby
Secretary and Treasurer
Alan D. Amos
Comptroller and Assistant Secretary

The annual meeting of the Company is to be held in the
Talbot Room, Inn On The Park, Toronto, Tuesday,
May 9, 1972, at 11 a.m.

Report to shareholders

At the last annual meeting it was reported that the company's financial year end was being changed from June 30th to December 31st and therefore this report covers the six-month period ended December 31st, 1971. This change was considered desirable because of the coming into force of the new Income Tax Act on January 1st, 1972 and also so as to align this company's practice with that of its associated companies.

The earnings for the six-month period ended December 31st, 1971, as compared with the unaudited figures for the same period of the previous year, as shown in the quarterly report mailed to shareholders at the end of March, 1971, are somewhat disappointing. The profit per share, before extraordinary items, is less than in 1971, notwithstanding an increase in sales of just over 10%. Part of this shortfall resulted from a prolonged strike at the Toronto Horner Avenue plant and part is as a result of the very competitive pricing of certain of the company's engineered products. In addition there were other extraordinary items, including the destruction by fire of our plant in Jamaica, without which the earnings would have considerably exceeded last year's results.

In the past the day to day sales and manufacturing operations of the company in Canada have been carried on both directly and through a number of subsidiary companies. As of January 1st, 1972 the businesses formerly carried on by certain of the subsidiary companies are now being carried on by the company directly under the name "FPE-Pioneer Electric Limited". The only exceptions to this are La Compagnie Electrique Pioneer de Quebec, Inc., at Granby, Que. and Eastech Limited, at Truro, N.S. which will continue as operating subsidiaries. To effect this change in operations the company has acquired the assets and assumed the liabilities of all its subsidiary companies in Canada except those mentioned above. The changes which have been made have enabled the company to co-ordinate and more effectively utilize its marketing efforts both at headquarters and in the field with many resulting advantages.

The acquisition by the company of a ninety-five percent interest in Federal Electric (Holdings) Limited of Wolverhampton, England has now been completed. This subsidiary is being operated by our personnel and is already showing a sustained pattern of growth.

During the six-month period ended December 31st, 1971 the company has received repeat

orders for its extra high voltage and output converter transformers for the Nelson River project. Recent remodelling of and additions to the Winnipeg plant should enable a more efficient handling of this type of manufacturing. Orders for very large units have also been received from other utility companies and the backlog in the transformer division is at a satisfactory level.

The new plant of Eastech Limited at Truro, N.S. began operating at the first of this year and will help serve better the growing market for distribution products in the Maritime provinces. Housing is still at a high level although with an increasingly greater emphasis on other than conventional single family dwellings such as factory produced units. The company's products for distribution and heating are receiving excellent recognition in this new and growing market as well as in the conventional housing market.

In the coming months the company's products will be exhibited at trade fairs in both Germany and the United Kingdom. The company's products also will be shown, along with those of other Canadian manufacturers, in the Canadian Mission to China at Peking during the summer months.

The outlook for the company is favourable since most Canadian utilities are engaged in programs of expansion; some still at the planning stage. The James Bay Development in Quebec should be of great importance to the electrical manufacturing industry in the coming years.

With the additional volume anticipated it would seem probable that steps taken by management will provide a higher rate of earnings on the increased sales.

The directors wish to record their appreciation for the competent and aggressive manner in which all levels of the company's employees have carried out their responsibilities.

On behalf of the Board of Directors,

April, 1972.



B. W. Ball,
President and Chief Executive Officer.

Consolidated statement of earnings

	Six months ended December 31, 1971	Year ended June 30, 1971
Net sales	\$25,063,376	\$50,815,670
Earnings before deducting the undernoted items	\$ 2,442,133	\$ 5,997,762
Deduct:		
Depreciation	329,747	709,763
Amortization of patents	3,185	6,316
Amortization of debenture discount and expense	4,854	13,566
Interest on long-term debt	140,160	304,115
Remuneration paid to directors and senior officers	210,199	332,456
	<u>688,145</u>	<u>1,366,216</u>
Earnings before income taxes and extraordinary items	1,753,988	4,631,546
Income taxes (Note 4)	897,000	2,469,000
Earnings before extraordinary items	<u>856,988</u>	<u>2,162,546</u>
Extraordinary items less related income taxes (Note 7)	183,218	—
Net earnings for the period	<u>\$ 673,770</u>	<u>\$ 2,162,546</u>
Earnings per Class A and Class B share (Note 8):		
Before extraordinary items	\$.79	\$ 2.04
After extraordinary items	.60	2.04
Fully diluted earnings per share (Note 8):		
Before extraordinary items	.71	1.80
After extraordinary items	<u>.56</u>	<u>1.80</u>

Consolidated statement of retained earnings

	Six months ended December 31, 1971	Year ended June 30, 1971
Balance at beginning of period	\$11,130,634	\$ 9,672,978
Add: Net earnings for the period	673,770	2,162,546
	<u>11,804,404</u>	<u>11,835,524</u>
Deduct:		
Dividends declared—		
On 5½% first preference shares—\$1.375 per share (June 30—\$2.75)	62,615	132,443
On Class A shares—28¢ per share (June 30—56¢)	171,786	312,311
On Class B shares—2.8¢ per share (June 30—56¢)	11,528	260,136
	<u>245,929</u>	<u>704,890</u>
Balance at end of period	<u>\$11,558,475</u>	<u>\$11,130,634</u>

Auditors' Report

To the Shareholders of FPE-Pioneer Electric Limited:

We have examined the consolidated balance sheet of FPE-Pioneer Electric Limited and subsidiary companies as at December 31, 1971 and the consolidated statements of earnings, retained earnings and source and application of working capital for the six months then ended. Our examination was made in conformity with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the companies as at December 31, 1971 and the results of their operations and the source and application of their working capital for the six months then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Ontario
March 2, 1972

(Signed) Price Waterhouse & Co.
Chartered Accountants

Consolidated balance sheet

	December 31 1971	June 30 1971
ASSETS		
Current assets :		
Cash	\$ 29,605	\$ 102,749
Accounts receivable	12,679,266	11,481,778
Receivable from affiliated companies	594,191	431,250
Inventories, at lower of cost and realizable value (Note 2)	15,957,111	15,517,101
Tender deposits	164,191	144,539
Prepaid expenses and other deposits	527,737	379,824
	<u>29,952,101</u>	<u>28,057,241</u>
Fixed assets, at cost :		
Land	441,801	429,801
Buildings	5,126,743	5,100,054
Machinery and equipment	7,415,793	6,644,315
	<u>12,984,337</u>	<u>12,174,170</u>
Less : Accumulated depreciation	5,391,651	4,770,008
	<u>7,592,686</u>	<u>7,404,162</u>
Excess of cost of shares of subsidiaries over net book value	2,032,519	1,406,826
Patents	59,258	60,733
Deferred charges (Note 3)	148,881	153,735
	<u>\$39,785,445</u>	<u>\$37,082,697</u>
LIABILITIES		
Current liabilities :		
Bank indebtedness—		
Operating loans and overdrafts	\$ 3,316,178	\$ 3,815,402
Tender deposit loans	119,750	74,000
Notes payable—guaranteed by bank	3,071,000	2,000,000
Accounts payable and accrued liabilities	6,806,415	6,581,488
Payable to affiliated companies	1,600,433	781,862
Income and other taxes payable	881,271	1,378,806
Dividends payable	125,375	120,659
	<u>15,920,422</u>	<u>14,752,217</u>
Deferred income taxes (Note 4)	463,050	445,050
Long-term debt, less current portion (Note 5)	4,805,039	4,360,026
Minority shareholders' equity in subsidiary companies (Note 1)	44,627	9,500
SHAREHOLDERS' EQUITY		
Capital stock (Note 6) :		
First preference shares \$50 par value, voting, issuable in series—		
Authorized—165,231 shares of which 45,231 shares are designated as 5½% cumulative convertible first preference shares, Series A		
Outstanding—45,231 first preference shares, Series A (June 30—46,844 shares)	2,261,550	2,342,200
Class A shares without nominal or par value, voting—		
Authorized—3,139,076 shares		
Outstanding—632,245 shares (June 30—590,793 shares)	4,411,636	3,722,424
Class B shares without nominal or par value, voting—		
Authorized—1,500,000 shares of which 166,800 have been issued and converted to Class A shares		
Outstanding—411,708 shares (June 30—411,708 shares)	320,646	320,646
	<u>6,993,832</u>	<u>6,385,270</u>
Retained earnings	11,558,475	11,130,634
	<u>18,552,307</u>	<u>17,515,904</u>
	<u>\$39,785,445</u>	<u>\$37,082,697</u>

Approved on behalf of the Board :

(Signed) B. W. Ball, Director

(Signed) Edward W. Darby, Director

Notes to consolidated financial statements December 31, 1971

1. Principles of consolidation :

(a) The accompanying financial statements include all of the Company's subsidiaries. One domestic and six foreign subsidiaries have fiscal years ending September 30 and their accounts are included as of that date.

(b) The accounts of the Australian, Caribbean, English and South African subsidiaries have been translated to Canadian dollars as follows :

Current assets and liabilities — at the exchange rate prevailing on December 31, 1971.

Fixed assets, shareholders' equity and depreciation expense — at historical rates prevailing at dates of acquisition.

Revenue and expenses other than depreciation — at the average rate during the fiscal period.

(c) Preferred shares of Eastech Limited, a subsidiary company, with a par value of \$9,500 are held by minority shareholders.

(d) The Company holds 946,986 common shares of FPE Australia Pty. Limited. It has an option to acquire the remaining 21,125 outstanding shares from Federal Pacific Electric Company for a nominal amount. For accounting purposes this subsidiary is treated as though it were wholly-owned.

(e) The Company purchased a 95% interest in the shares of Federal Electric (Holdings) Limited from Federal Pacific Electric Company. For accounting purposes, the effective date of the acquisition was September 30, 1971, the fiscal year end of the Company acquired. Minority shareholders' interests in a South African subsidiary of Federal Electric (Holdings) Limited amount to \$35,127.

2. Inventories :

Inventories comprise :

	December 31 1971	June 30 1971
Raw materials	\$ 5,045,552	\$ 4,442,340
Work in process	9,149,388	9,437,013
Finished goods	1,762,171	1,637,748
	<u>\$15,957,111</u>	<u>\$15,517,101</u>

3. Deferred charges :

Deferred charges are the unamortized discount and other expenses of issue of the Series A debentures.

4. Income taxes :

The provision for income taxes includes :

	December 31 1971	June 30 1971
Current taxes	\$ 879,000	\$ 2,443,150
Deferred taxes	18,000	25,850
	<u>\$ 897,000</u>	<u>\$ 2,469,000</u>

The provision for deferred income taxes is in respect of capital cost allowances claimed for income tax purposes in excess of the allowable depreciation charged in the accounts, and other timing differences in the calculation of taxes payable.

5. Long-term debt :

	December 31 1971	June 30 1971
6¼% secured sinking fund debentures, Series A maturing April 15, 1987, with annual sinking fund payments (\$104,000 in 1972 and thereafter gradually increasing to \$267,000 in 1986). The balance of \$1,505,000 is payable at maturity.	\$ 4,112,000	\$ 4,112,000
Loan of subsidiary payable August 10, 1981 without interest until August 10, 1976 and at 5% thereafter	450,000	—
6¼% mortgage loan of subsidiary, repayable in monthly instalments, maturing in 1989	317,823	322,364
7½% mortgage loan of subsidiary, repayable in monthly instalments, maturing in 1987	38,762	38,897
	<u>4,918,585</u>	<u>4,473,261</u>
Amount due within one year	113,546	113,235
Amount due after one year	<u>\$ 4,805,039</u>	<u>\$ 4,360,026</u>

The 6¼% secured sinking fund debentures, Series A, are secured by a Deed of Trust and Mortgage which, inter alia, provides for dividend restrictions under certain conditions. The financial position of the companies is such that these restrictions are not applicable at this time.

6. Capital stock :

5½% cumulative convertible first preference shares, Series A :

Each first preference share, Series A is convertible into four Class A shares up to and including January 15, 1979. The conversion rate is subject to adjustment to protect the conversion privilege against dilution in certain events. The first preference shares, Series A are redeemable at a premium of 3½% until January 15, 1973 and 2% thereafter.

Class A shares :

Employees of the Company have options which expire March 10, 1974 to purchase 16,400 Class A shares at \$22 a share.

Class A shares are reserved as follows :

(a) for the possible conversion of the outstanding Class B shares	411,708 shares
(b) to satisfy outstanding options	16,400 shares
	<u>428,108 shares</u>

Class B shares :

55,600 Class B shares may be converted during each dividend year into Class A shares on a share for share basis provided certain conditions have been met with respect to earnings and payment of Class A share dividends. After the Class A shares have received dividends aggregating 56 cents per share and the Class B shares have received dividends aggregating 5.6 cents per share in any dividend year, the Class B shares are entitled to receive additional dividends aggregating 50.4 cents per share before any further dividends are paid on the Class A shares. Additional dividends paid in excess of the 56 cents per share on both classes of shares are to be shared equally on a share for share basis.

Changes in capital stock during the period :

1,613 5½% cumulative convertible first preference shares, Series A were converted into 6,452 Class A shares at the stated value of \$80,650. This conversion reduces both the authorized and outstanding first preference capital stock by 1,613 shares and increases both the authorized and outstanding Class A capital stock by 6,452 shares.

35,000 Class A shares were issued to Federal Pacific Electric Company for \$608,562 cash coincident with the purchase by the Company of Federal Pacific Electric Company's interest in Federal Electric (Holdings) Limited.

7. Extraordinary items :

These are :

Provision for possible loss on investment in subsidiary	\$250,000
Proceeds of fire insurance claim in excess of book value of assets less income taxes of \$18,500	66,782
	<u>\$183,218</u>

8. Earnings per share :

The calculations of earnings per share shown in the consolidated statement of earnings are based on the weighted average number of shares outstanding during each fiscal period. Dividends paid on the preference shares were deducted from consolidated earnings for purposes of the calculations.

The calculations of fully diluted earnings per share assume the conversion of all preference shares (Note 6) and the issue of shares reserved for the exercise of options at the beginning of each period and that the funds received on the exercise of the options (December 31, 1971 — \$360,800; June 30, 1971 — \$377,300) had been invested to produce an annual return of 7% less applicable income taxes.

9. Lease and option :

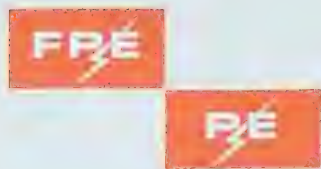
A subsidiary has entered into an agreement to lease premises for a term of twenty years, to April 30, 1990, at an annual rental of \$92,500. By additional annual payments of \$8,300, the subsidiary has until May 1, 1975 the right to purchase the leased premises.

10. Unfunded pension costs :

Based on an estimate by independent actuaries, unfunded past service pension costs amounted to approximately \$375,000 at December 31, 1971. Annual payments charged to operations are designed to fund these costs by 1989.

Consolidated statement of source and application of working capital

	Six months ended December 31, 1971	Year ended June 30, 1971
Source of working capital :		
Operations —		
Net earnings	\$ 673,770	\$ 2,162,546
Charges not requiring a current outlay —		
Depreciation	329,747	709,763
Amortization of deferred charges —		
Debt discount and expense and patents	8,039	19,882
Other	—	11,761
Deferred income taxes	18,000	25,850
	<u>355,786</u>	<u>767,256</u>
Total from operations	1,029,556	2,929,802
Shares issued	608,562	—
Disposal of fixed assets	233,322	21,557
Minority shareholders' equity in subsidiary company	35,127	—
Long-term debt of subsidiary acquired	450,000	—
	<u>2,356,567</u>	<u>2,951,359</u>
Application of working capital :		
Fixed asset additions, including \$303,815 of subsidiary acquired	751,593	852,853
Dividends	245,929	704,890
Cost of shares of subsidiary over net book value	625,693	—
Reduction in non-current portion of long-term debt	4,987	102,400
Other	1,710	—
	<u>1,629,912</u>	<u>1,660,143</u>
Increase in working capital	726,655	1,291,216
Working capital at beginning of period	13,305,024	12,013,808
Working capital at end of period	<u>\$14,031,679</u>	<u>\$13,305,024</u>



Plants and offices

Sales offices

1078 Robie Street,
Halifax, Nova Scotia

P.O. Box 490,
Industrial Drive,
Windsor, Nova Scotia

53 Hillcrest Drive,
P.O. Box 601,
Moncton, New Brunswick

P.O. Box 9248,
Ste. Foy, Quebec

1074 St. Eugene,
Ancienne Lorette, Quebec

3333 Cavendish Blvd.,
Montreal 261, Quebec

2627 Coleman Street,
Ottawa 8, Ontario

440 Elizabeth Street,
Burlington, Ontario

1157 Prince Philip Drive,
London, Ontario

48 Blackfriar's Place,
Kitchener, Ontario

19 Waterman Avenue,
Toronto 16, Ontario

445 Horner Avenue,
Toronto 14, Ontario

255 Orenda Road,
Bramalea, Ontario

832 Maplegrove Drive,
North Bay, Ontario

872 Bradford St.,
Winnipeg, Manitoba

101 Rockman Street,
Winnipeg 19, Manitoba

11th and Richmond Street,
Brandon, Manitoba

21 Lindsay Drive,
Saskatoon, Saskatchewan

7144 Fisher St.,
Calgary, Alberta

11819 – 145th Street,
Edmonton, Alberta

255 Viking Way,
Richmond, British Columbia

Plants

P.O. Box 490,
Industrial Drive,
Windsor, Nova Scotia

561 Maisonneuve Street,
P.O. Box 550,
Granby, Quebec

P.O. Box 272,
Granby, Quebec

19 Waterman Avenue,
Toronto 16, Ontario

445 Horner Avenue,
Toronto 14, Ontario

255 Orenda Road,
Bramalea, Ontario

101 Rockman Street,
Winnipeg 19, Manitoba

11th and Richmond Street,
Brandon, Manitoba

1600 First Avenue,
Regina, Saskatchewan

5727 – 53A Avenue,
Red Deer, Alberta

255 Viking Way,
Richmond, British Columbia

Associated and subsidiary companies

Cornell-Dubilier Electric Corporation,
Newark, New Jersey 07101,
U.S.A.

Eastech Limited,
Windsor, Nova Scotia

Federal Pacific Electric Company,
Newark, New Jersey 07101,
U.S.A.

Federal Electric (Holdings) Limited,
Wolverhampton, England

Federal Pacific Electric Ges. m.b.H.,
St. Martin/Innkreis,
Austria

Federal Pacific Electric Caribbean Limited,
Spanish Town,
Jamaica, W.I.

Federal Pacific Electric de Mexico, S.A. de C.V.,
Mexico City, Mexico

FPE Australia Pty. Ltd.,
Liverpool, Australia

FPE South Africa (Pty.) Ltd.,
Johannesburg, South Africa

FPE-PIONEER ELECTRIC LIMITED

Head office:

101 Rockman Street, Winnipeg 19, Manitoba



Executive offices:

19 Waterman Avenue, Toronto 16, Ontario

Transfer agents for first preference shares:

Canada Trust Company
Toronto, Montreal, Winnipeg and Vancouver

Transfer agents for class A shares:

National Trust Company, Limited
Toronto, Montreal, Winnipeg and Vancouver

IF YOUR ADDRESS HAS BEEN CHANGED PLEASE FILL IN AND MAIL THIS FORM TO:

AR42*Shareholders*

DA TRUST COMPANY, 110 Yonge Street, Toronto 210

For Class A Shareholders

NATIONAL TRUST COMPANY, LIMITED, 21 King Street East, Toronto 210

STOCK REGISTERED IN NAME OF (TYPE OR PRINT)

NEW ADDRESS

OLD ADDRESS

DATE

Signature of Shareholder

(Sign name exactly as it appears on share certificate)

*Corp report***FPE****Report to Shareholders****PE**

For the six months ended December 31, 1971

~~856,988~~

FINANCIAL DATA

	For the six months ended December 31		
	1971	1970	1969
Net Shipments.....	\$25,063,376	\$22,670,500	\$19,950,500 +
Net Earnings before Taxes and extraordinary items	1,753,988	2,075,500	1,766,200
Provision for Taxes.....	897,000	1,072,200	980,200
<u>Net Earnings</u> after Taxes and <u>before</u> extraordinary items.....	856,988 +	1,003,300 +	786,000 x
Extraordinary items.....	183,218	—	—
Net Earnings.....	673,770	1,003,300 x	786,000 x
* <u>Earnings per share</u> before extraordinary items.....	.79 +	.94	.73
Earnings per share after extraordinary items.....	.60	.94	.75
Fully diluted earnings per share before extraordinary items.....	.71	.84	.66
Fully diluted earnings per share after extraordinary items.....	.56	.84	.66

*Calculated after giving effect to the First Preference Share Dividends (1971 — \$62,615, 1970 — \$67,207, 1969 — \$69,082). The weighted average number of Class A and Class B Shares outstanding at December 31, 1971 was 1,010,704 at December 31, 1970 — 992,106, at December 31, 1969 — 981,270.

The figures shown for 1969 and 1970 are unaudited.